

GPE's Engagement on Domestic Financing for Education

Highlights

- ⦿ Between 2015 and 2030, low- and middle-income countries will need to increase spending on education from the current US\$1.2 trillion per year to US\$3 trillion.
- ⦿ The Incheon Declaration recommends that national governments allocate 4 to 6 percent of their gross domestic product (GDP) and/or at least 15 to 20 percent of their total public expenditure to education, with a focus on basic education.
- ⦿ GPE creates incentives for developing country partners to develop financially sustainable education sector plans, increase national budget allocations and improve the quality of education expenditure.
- ⦿ On average, between 2002 and 2013, GPE partner developing countries increased domestic expenditure on education as a percentage of total government expenditure from 15.2 percent to 16.6 percent and expenditure as a percentage of GDP from 2.9 percent to 3.9 percent.
- ⦿ In 2015, where data is available, 47 percent of GPE partner developing countries, including 43 percent of countries affected by fragility and conflict, spent

at least 20 percent of total government expenditure on education.

1. Introduction

The Global Partnership for Education (GPE) is a global, multi-stakeholder partnership that seeks to strengthen education systems in low- and lower-middle-income countries and in countries affected by fragility and conflict to ensure equitable, quality education for all. GPE plays a unique role in helping governments to develop and finance the implementation of strong education sector plans that further equity and learning. GPE leverages the financial support and expertise of donors, developing country governments, international organizations, civil society, teacher organizations, the private sector and philanthropy to ensure the delivery of results. It has allocated US\$4.6 billion since 2003.

GPE creates incentives for partner developing countries to prepare financially sustainable education sector plans, increase national budget allocations and improve the quality of education expenditure. It also supports countries in improving financial management and monitoring spending.

Adequate financial investment in the recurrent and capital costs of basic inputs and processes (teacher

education, salaries, school infrastructure, curriculum reform, learning materials, etc.) and the effective use of this investment is critical to achieving the Sustainable Development Goal 4 (SDG4) on Quality Education: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”

Investment in education has often been inadequate and inefficient at both domestic and international levels. The International Commission for Financing Global Education Opportunity¹ estimates that low- and middle-income countries will be required to more than double their spending on education from the current US\$1.2 trillion per year to US\$3 trillion (from US\$27 billion to US\$102 billion for low-income countries) by 2030, to meet the educational needs at pre-primary, primary, secondary and post-secondary education levels by 2030.²

While external aid plays an important role in filling the funding gap, domestic resource mobilization is by far the most important source of financing basic education.³ Tapping into domestic revenues to finance education provides governments with greater predictability and sustainability in financing planned reforms. A positive trend in developing countries, where government revenues increased from US\$1.5 trillion to US\$7 trillion between 2000 and 2011, is encouraging for increasing domestic resource mobilization for education.⁴

Building on previous international and regional benchmarks set by the High-Level Group on Education for All Goals, the Education 2030 Incheon Declaration, adopted in 2015 by governments around the world, recommends that national governments allocate 4 to 6 percent of their GDP and/or at least 15 to 20 percent of their total public expenditure to education, with a focus on basic education. The global benchmarks are essential for bringing attention to domestic financing by increasing national budget allocations and creating momentum for necessary improvements in efficiency, effectiveness and equity in domestic spending.

Catalyzing domestic spending on education has always been central to GPE’s strategy and guiding frameworks (see Box 1). The Education for All—Fast Track Initiative (which became GPE in 2011) was formed in 2002 as the first global compact for education, to ensure that any country with a sound education sector plan and the willingness to commit domestic resources to the sector would be met with donor funding to fill the financing gap. For the first time, a benchmark for domestic financing was established, recommending that 20 percent of the total recurrent budget be allocated to recurrent domestic expenditure on education.

GPE’s strategic plan for 2012-2015, maintained the focus on increasing the volume, effectiveness and equitable allocation of domestic along with external financing. GPE 2020, GPE’s strategic plan for 2016-2020, further expands the focus on domestic financing, as it aims to mobilize both more and better financing for effective and efficient education systems delivering equitable and quality education services for all (see Box 1).

Several indicators in the GPE 2020 results framework (see Box 1) monitor the partnership’s support to domestic financing. Within indicator 10, the partnership monitors government spending on education as they progressively reach the benchmark of 20 percent of the total public expenditure. Indicator 14 is used to measure progress toward improving finance data availability for sector planning and international comparison. Indicator 31 tracks Secretariat staff technical support and engagement with policy dialogue on domestic financing at country level.

GPE’s new results-based funding model, which was adopted in 2014, leverages GPE grant funding to increase domestic financing for education. To receive the first 70 percent of GPE program implementation grants, each developing country partner must meet several key requirements, including the commitment to finance the education sector plan. GPE seeks government commitment to progressively increase the

¹ The International Commission on Financing Global Education Opportunity is a major new global initiative engaging world leaders, policymakers and researchers to develop a renewed and compelling investment case and financing pathway for achieving equal educational opportunity for children and young people.

² The International Commission on Financing Global Education Opportunity “The Learning Generation: Investing in education for a changing world.” (September 2016).

³ Liesbet Steer and Katie Smith *Financing Education: Opportunities for Global Action* (Washington, DC: Center for Universal Education at Brookings, 2015).

⁴ Romilly Greenhill and Ahmed Ali, “Paying for Progress: How will emerging post-2015 goals be financed in the new aid landscape?” (Working Paper 366, Overseas Development Institute, 2013), 9.

BOX 1. GPE'S STRATEGIC FOCUS ON DOMESTIC FINANCING

Education for All—Fast Track Initiative (FTI) Framework

Goal 4 "Adequate and sustainable domestic financing for education within the framework of a country's national poverty reduction strategy, medium-term expenditure framework or other country statements as appropriate."

- ➊ **Benchmark:** Domestic resources moving towards the benchmark of 20 percent of recurrent government expenditure.

GPE Strategic Plan 2012–2015

Objective 5: "Expand the volume, effectiveness, efficiency and equitable allocation of external and domestic funding and support to education in GPE-endorsed countries."

- ➋ **Indicator:** Percentage of total government budget that goes to education and to basic education.

GPE Strategic Plan 2016–2020

Goal 3 "Effective and efficient education systems delivering equitable, quality educational services for all."

Results Framework

- ➌ **Indicator 10:** Proportion of partner developing countries that have (i) increased their public expenditure on education; or (ii) maintained sector spending at 20 percent or above.
- ➍ **Indicator 14:** Proportion of partner developing countries reporting at least 10 of 12 key international education indicators to UIS (including financing indicators as identified by GPE).

Objective 4: "Mobilize more and better financing." Support increased, efficient and equitable domestic financing for education through cross-national advocacy, mutual accountability and support for transparent monitoring and reporting.

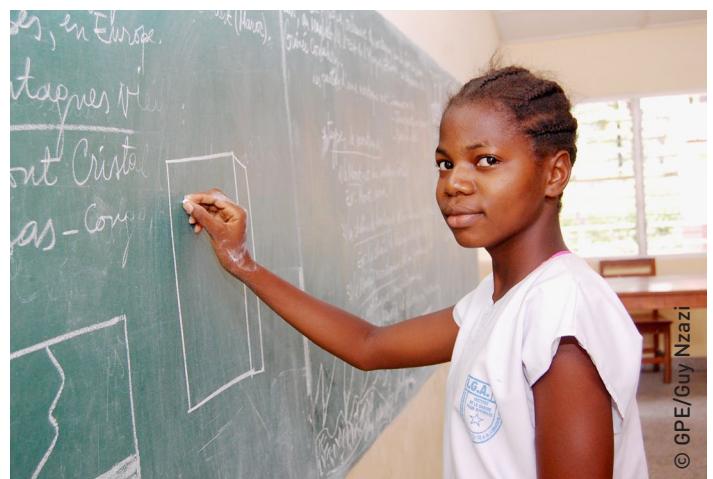
Results Framework

- ➎ **Indicator 31:** Proportion of country missions addressing domestic financing issues.

domestic budget allocation for education to 20 percent of the total national budget. In countries where 20 percent or more of domestic resources are allocated to education, GPE seeks commitment to at least maintain current levels. If the country has not reached universal primary education, GPE seeks an additional commitment to allocate at least 45 percent of the education budget to primary education. Under the funding model, disbursement of the remaining 30 percent of the GPE country allocation is linked to demonstrated progress toward sector results, including on gains in efficiency.⁵

As part of its funding model to incentivize governments to increase budget allocations for education, GPE promotes an approach that strengthens the entire education system and supports developing country partners as they improve domestic financing through the following interrelated mechanisms:

1. Strengthening **education sector planning** that includes financially sound sector plans informed by **reliable data** and accounts for external and domestic resources available for both recurrent and capital expenditures.
2. Mobilizing **more and better financing** to maximize impact and build stronger education systems.
3. Supporting **mutual accountability** through effective and inclusive policy dialogue and monitoring.



A student in lower secondary school in l'Institut de la Gombe open to blind students. DRC.

⁵ Global Partnership for Education, "Report of the country grants and performance committee Part 1: Operational framework for requirements and incentives in the funding model of the Global Partnership for Education and Results-Based Financing Pilot" (Meeting of the Board of Directors, 2014).

2. GPE Support to Improve Domestic Financing

2.1 EDUCATION SECTOR PLANNING AND RELIABLE SECTOR FINANCE DATA

Technical and financial support to produce quality **education sector plans (ESPs)** that draw on reliable data is the foundation of the GPE operational model. As part of the GPE funding model, developing country partners are incentivized to produce good quality ESPs, including a costed multi-year implementation plan. The ESP serves not only as an invaluable apparatus for country-level dialogue and coordination within the education sector but also as a means to integrate education within the larger national development plan and to give it priority in the national budget.

2.1.1 SUPPORTING FINANCIALLY SOUND EDUCATION SECTOR PLANS

Guidelines for ESP preparation and appraisal, created in cooperation with the UNESCO International Institute for Education Planning (IIEP), set a number of quality standards. Financial soundness, feasibility and sustainability are key elements of quality ESPs. The plan is considered achievable when it includes an analysis of the current financial trends, a budget framework, and thoughtful hypotheses for overcoming financial constraints that may hinder effective implementation. A financially sound and feasible ESP is required to include the following elements:

(a) Analysis of existing cost and financing, including current and historical trends in government, donor and, when possible, household spending on all sub-sectors and education levels.

(b) Financial simulation and budget projections to evaluate the feasibility of various policy reforms and programming options using basic parameters (population projection, education, cost and macro-economic development indicators). The projections also include the potential sources for financing (internal and external) for all budgeted programs.

In countries affected by fragility and conflict, where reliable financing data is limited but the need for funding is urgent, GPE supports the development of transitional education sector plans (TEPs) that are carefully costed for mobilizing resources quickly to fund priorities in the short and medium terms. Where needed, GPE provides partner developing countries with education sector plan development grants of up to US\$500,000 to develop quality ESPs/TEPs. Since 2012, GPE has approved US\$14.8 million in ESP/TEP development grants to 49 countries.

2.1.2 IMPROVING THE AVAILABILITY OF RELIABLE SECTOR FINANCE DATA

GPE is dedicated to improving the availability of reliable domestic finance data for evidence-based policy dialogue and planning. Comprehensive education finance data is critical if governments are to understand how funds are disbursed and utilized to achieve national policy goals and to measure progress against SDG4.

Governments face many challenges in collecting and reporting reliable and accurate finance data due to the complexity of finance flows. Multiple institutions serve as both sources of funding and spending agents. Other challenges include incompatibility of indicator definitions and ineffective compilation and presentation of information for policy decision-making.⁶

Consequently, the UNESCO Institute for Statistics (UIS), the official body for producing internationally comparable education data, faces multiple challenges in receiving consistent and accurate finance data from countries. For instance, between 2011 and 2013, UIS could only report on about half of the GPE partner

⁶ See UNESCO. "Pricing the right to education: The cost of reaching new targets by 2030." Policy Paper 18. EFA Global Monitoring Report. Paris: UNESCO Publishing, 2015, and UNESCO. "Untangling aid in national education budgets." Technical note prepared for the Education for All Global Monitoring Report 2012, *Youth and skills: Putting education to work*. Paris: UNESCO Publishing, 2016.

BOX 2. EDUCATION SECTOR PLANS AS INSTRUMENTS FOR GARNERING NATIONAL COMMITMENT TO INCREASING DOMESTIC FINANCING FOR EDUCATION

In many countries, the education sector planning process has played an instrumental role in helping ministries of education garner support from national leadership to increase financing for education.

Democratic Republic of Congo (DRC)

In recent years, the government of DRC has substantially increased its commitment to providing adequate financing for education. The share of budget allocated to education increased from 9 percent in 2010 to almost 16.8 percent in 2013 and 17.8 percent in 2014 (UIS database).

GPE supported DRC's preparation of its first transitional education sector plan for basic education, *Plan Intérimaire de l'Education* (PIE), for the period 2012–2014. The Ministry of Primary, Secondary and Professional Education used the PIE to negotiate increased government budget allocation for education with the Ministry of Budget and the Ministry of Finance. In 2015, with an education sector plan development grant from GPE, and support from the World Bank, UNESCO and UNICEF, DRC developed its first sector-wide education plan for 2016–2025 that engaged all three ministries in charge of education. Based on financial projections in this plan, the Ministry of Budget and Ministry of Finance have committed to continue increasing the budget allocation to the education sector so that it reaches 20 percent by 2018.

Niger

One of the first countries to join GPE in 2002, Niger has sustained the commitment to improving access to education despite significant political instability, recurrent droughts and security issues from conflicts in neighboring countries. Between 2002 and 2014, the Government of Niger increased education expenditure from 16.7 percent of the total public expenditure to 21.7 percent. During this period, education expenditure as a proportion of GDP also increased from 3.1 percent to 6.8 percent (UIS database).

In 2002, Niger committed to allocate at least 20 percent of its recurrent government budget to education with the development of a 10-year plan for education (*Programme Décennal de Développement de l'Education* 2003–2013), endorsed by the donor community for a grant from FTI.

The Government of Niger renewed the commitment to financing the sector in 2011 and announced that the budget allocation for education would increase to 25 percent within the next five years. With support from a GPE education sector plan development grant, all ministries with education sector activities jointly developed the first sector-wide education plan (*Sectoriel de l'Education et de la Formation* 2014–2024), endorsed by the development partners. Increased domestic financing for education has enabled Niger to considerably increase gross enrollment rate in primary schools from 32.9 percent in 2002 to 70.1 percent by 2014 (UIS database).

countries (30 to 31 out of 61 countries) for the indicator on education expenditure as a percentage of total government expenditure.

GPE is supporting UIS's efforts to make reliable and timely data available for national and global planning efforts. The results-based funding model requires governments to develop plans and capacities to improve

reporting of critical sector data to UIS for global monitoring of progress in education. The partnership aims to increase the proportion of countries that report at least 10 of the 12 key international indicators to UIS from 30 percent at present to 66 percent in 2020. Key finance indicators reported to UIS include (a) public expenditure on education as a percentage of GDP, (b) public expenditure on education as a percentage of

total public expenditure, and (c) education expenditure on primary education as a percentage of total education expenditure.

Since 2013, GPE's Global and Regional Activities (GRA) program has provided US\$2.1 million in funding to UIS, IIEP and the IIEP Pôle de Dakar to implement a collaborative project aimed at improving national reporting systems on education finance flows, based on the National Education Accounts (NEA) methodology. The NEA is a comprehensive approach to education finance data collection, processing and analysis. It involves mapping all sources of education funding (government, private, household and external), spending (public and private providers, regions, etc.) and economic transactions (salaries, teaching materials, infrastructure,

etc.) to produce a coherent information framework for education financing.

Data on sources of financing and their use enables analysis of the linkage between spending and educational outcomes. Mapping resource flows through the education system is also essential to identify waste and misallocation of funds, and helps to better direct resources to policy objectives and monitor progress toward SDG4. Data on financial resource flow are critical for developing mechanisms to improve education system efficiencies.

The project has supported eight GPE partner developing countries in setting up national education accounts as information systems, which helps collect and analyze

BOX 3. NEPAL: A COMPREHENSIVE APPROACH FOR NATIONAL EDUCATION ACCOUNTS

The National Education Accounts (NEA) exercise in Nepal helped the government build a comprehensive understanding of the flow of education financing from various sources to the education providers, and also to estimate costs per student at all levels of the education system. With technical support and guidance from UIS and IIEP, the exercise was conducted by the National Technical Committee, led by the Ministry of Education (MoE) in collaboration with other concerned ministries and the Central Bureau of Statistics (CBS). The pilot exercise covered the financial years 2009 to 2015, and the methodology enables the MoE and CBS to produce similar data every year in the future.

Within the analysis period, government expenditure on education ranged from 16 to 19 percent of the total government expenditure; as a percentage of GDP, the government expenditure ranged from 3.9 to 4.3 percent.

The exercise revealed numerous critical policy insights about the sources of financing in the education sector, including the following:

- ➊ Parents are the main funding partners of the government. Household contributions accounted for the largest share of expenditure at 48.8 percent in 2014–2015, while government expenditure was at 42.7 percent. The household funds were spent primarily on fees at private schools, especially at higher secondary and university levels.
- ➋ Government budget is still the largest financing source for primary education at 62.3 percent; at higher secondary and tertiary education levels, the government finances 18.2 percent and 19.7 percent, respectively.
- ➌ The share of external funding for education, which included financing from INGOs, decreased in the last few years from 12.7 percent in 2009–2010 to 6.8 percent in 2014–2015.

Through this exercise, Nepal gained beneficial information and could better align financing with national education strategies and gauge progress against other countries. Policymakers, planners, implementers and academics will use the findings to formulate education financing policy for Nepal within the *School Sector Development Plan* and higher education plan.

education expenditure within a common methodology. The aim is both to inform sector planning and to allow for regular reporting at the national and international levels. The NEA project has focused on areas where there is limited data coverage in specific countries, as follows:

- Full National Education Accounts: Nepal and Uganda
- Allocation of resources within the system: Guinea and Zimbabwe
- Household expenditures: Côte d'Ivoire and Vietnam
- External resources: Lao PDR and Senegal

2.2 MOBILIZING MORE AND BETTER FINANCING

Achieving the SDG4 targets for inclusive and equitable education for all requires sustainable investment that increases and maintains adequate financing, and that is used in the most effective manner while maximizing efficiency. GPE plays a catalytic role in driving greater attention to domestic expenditures on education. It supports increased domestic budget allocation and spending for education while also improving sector finance management.

After the endorsement of an ESP, developing country partners have the option to apply for education sector program implementation grants (ESPIGs) to finance programs in the ESP. ESPIG applications require clear evidence on the *additionality* of GPE funds beyond projected domestic financing by the government and from other external donors. Under the current funding model, GPE also uses the ESPIG as an incentive for governments to increase and sustain domestic budget allocation. The variable part of the funding model further targets the government's internal efficiency within the education sector in maximizing the use of the system resources that are available. Efficient use of financial resources can encourage investment in education from both domestic and international sources. Through 125 program implementation grants, GPE has disbursed over US\$3.2 billion of funding since 2002.

BOX 4.

ZAMBIA: IMPROVING FINANCIAL MANAGEMENT

The current GPE grant of US\$35.2 million, along with the United Kingdom's Department for International Development (DFID) funding of £37.5 million (US\$60 million), provides support to the Ministry of General Education (MOGE) to fund the implementation of sector strategies, as well as the full implementation of Zambia's education sector plan (National Implementation Framework III).

One of the key focuses of GPE/DFID funding in Zambia is to work closely with the Ministry of General Education to improve financial management and ensure the effective and efficient flow of resources to the school level to improve attendance and learning.

Through the Financial Technical Committee, MOGE and cooperating partners engage in regular policy dialogue on public finance management and monitoring of resource allocations (both wages and non-wage expenditures). Program funds have also been used to provide technical assistance in the implementation of the jointly developed financial management action plan (FMAP), which aims to strengthen the education financial management system through various activities: improving procurement systems, internal audit, school grants management and the implementation of output-based budgeting.

A major accomplishment of the FMAP was the full utilization of the government-wide finance reform, the Integrated Financial Management Information System, which helps to track budgeting and expenditure.

GPE/DFID funds were also used for a public expenditure review and tracking survey, and for financial audits to ensure effective utilization of both government and cooperating partners' funds.

At least 19 partner developing countries have used ESPIGs to further strengthen education sector financial systems. A wide range of financial management activities are funded through ESPIGs—for example, aligning education budgets to the national medium-term budget frameworks, conducting public expenditure tracking surveys, establishing transparent procurement systems, capacity building for school grants management, and improving teacher payroll systems.

2.3 SUPPORTING MUTUAL ACCOUNTABILITY

The partnership is committed to upholding the principle of mutual accountability, and therefore promotes coordinated monitoring and transparency around domestic financing at the country level. GPE promotes a multi-stakeholder approach to monitoring government spending on education and advocacy to improve financing.

Support for joint sector reviews (JSR) is a core component of the GPE operational model for enhancing inclusive and evidence-based monitoring of ESP implementation. A JSR is a periodic mechanism led by the government, inclusive of all stakeholders active in the development of the sector. A comprehensive inquiry into the use of financial resources is a crucial part of the JSR mechanism. A good-quality JSR is expected to monitor sector progress and performance and to provide an overview of financial allocation versus actual expenditure, which allows countries to draw lessons from sector plan implementation. Through the JSR, countries identify sector priorities for future planning and budgeting exercises.

GPE, through local education groups, has actively supported partner developing countries in conducting JSRs as transparent forums that subscribe to the principles of mutual accountability. JSRs are critical instruments contributing to more effective and inclusive policy dialogue; they provide an opportunity for the government and development partners to have an honest conversation about challenges and solutions in the sector.

JSRs not only help with monitoring the implementation of the sector plan, but also in building a case for continued investment at the national and global levels.

BOX 5. BURUNDI: JOINT SECTOR REVIEW FOR SECTOR FINANCE ANALYSIS

In 2011, while preparing to join GPE and access additional funding, Burundi undertook its first JSR in over three years. This enabled a joint review, by ministries and development partners, of the status of education in Burundi and the development of the sector planning schedule for the year. The JSR focused on the progress made toward the operationalization and financing of the draft education sector plan (*Plan Sectoriel de Développement de l'Education et de la Formation*, or PSDEF). It recommended concrete steps for updating the PSDEF and validation by the development partners for endorsement of Burundi to join GPE.

The JSR team used sector finance analysis conducted in the previous year to review the funding need and utilization at all levels of education, from pre-primary to higher education. It identified system inefficiencies, particularly at primary level, as a major issue. The theoretical annual financial cost of repetition in Burundi was estimated to be between 25 and 35 percent of the total primary education budget. The JSR recommendations also highlighted the need to improve the availability, accuracy and utilization of finance data for decision-making to better link the expenditure with sector policies and priorities.

In the financial year 2015, out of the 32 JSRs conducted in GPE partner developing countries, 21 countries included a thorough review of sector financing.

Through GPE support, national civil society education coalitions have also played a key role in lobbying and holding governments accountable for increasing education budgets and improving financial management. The Civil Society Education Fund (CSEF), managed and implemented by the Global Campaign for Education (GCE) and financed by GPE, has provided grants and capacity building to broad and representative national civil society education coalitions. Between 2009 and

2015, GPE provided US\$37.1 million for the CSEF and has allocated an additional US\$29 million for 2016-2018 to support 62 national civil society coalitions. The CSEF has supported and built the capacity of civil society to participate in the development, monitoring and evaluation of education sector plans and policies, as well as to track education budgets and spending, conduct policy-oriented research, and strengthen citizen engagement and consensus-building processes around education sector dialogue.

Budget tracking is a central activity of most CSEF-supported national coalitions. It serves as a public accountability tool for monitoring government disbursements and expenditure, and for assessing whether resources are allocated and spent in line with budgets and plans. National education coalitions have used findings from budget-tracking activities to develop

media campaigns, inform the general public, and engage with parliamentarians and ministries of finance to advocate increased and more equitable government financing and to improve governance and financial management in the education sector.

Through the CSEF, GCE and partners have also developed a domestic education financing toolkit for civil society, which focuses on increasing the share, size, sensitivity and scrutiny of education financing. This tool draws on experiences of coalitions from around the world. Through the CSEF program, a community of practice on domestic financing for education is being established where coalition members can connect across countries to discuss current trends, share and exchange experiences and learning, and produce joint positions and plans.

BOX 6. CIVIL SOCIETY ADVOCACY FOR INCREASING EDUCATION BUDGETS

In **Sierra Leone**, tracking and monitoring of government expenditure was carried out by the Education for All Sierra Leone (EFA-SL) coalition in 2011, aiming to assess whether government commitments were upheld and resources were actually reaching intended beneficiaries. Through policy demands made as a result of the research findings, EFA-SL contributed, in part, to the government of Sierra Leone allocating 20 percent of the national budget to education.

The Civil Society Education Coalition in **Malawi** has been at the forefront of budget advocacy. Through active campaigning, the coalition contributed to education being included as a key priority in the national development framework for 2011–2016. The expenditure on education as a percentage of total government expenditure rose from 12.5 percent in 2010 to 16.3 percent in 2014. During the same period, education as a share of GDP increased from 4.4 percent to 6.9 percent, one of the highest in Sub-Saharan Africa.

In **Bangladesh**, the Campaign for Popular Education, a well-established civil society coalition, has actively advocated for increasing domestic resources for education. In 2015, it held public hearings to discuss the education budget with local communities. It also organized a policy dialogue on education financing, which brought together development partners, teachers' associations, parliamentarians, ministers and other influential public figures. The coalition has submitted an open appeal to the prime minister to ensure that the education budget is increased to 20 percent of the total government budget (from the current 13 percent) by 2021.

In **Timor-Leste**, the Coalition of Education has developed a major media campaign, in partnership with television and radio networks, to lobby for a significant increase in the education budget. The media campaign has focused on informing the Timorese people about the lack of basic inputs and low quality of education due to insufficient government funding. The public expenditure on education in Timor-Leste has remained extremely low (between 7 and 10 percent) and the coalition has urged the government to allocate at least 25 percent of the national budget to education.

3. Results in GPE Partner Countries

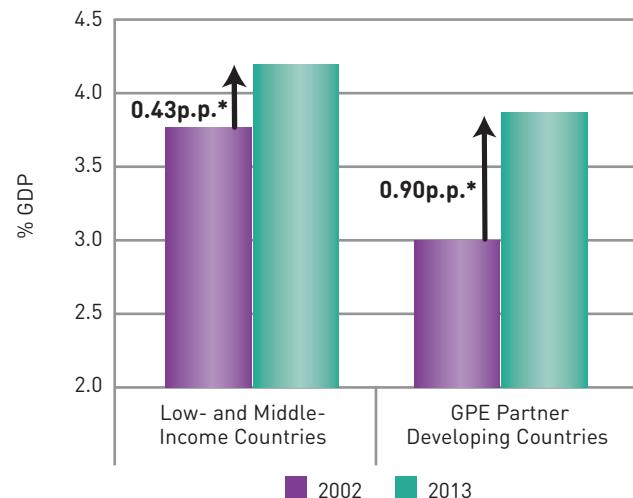
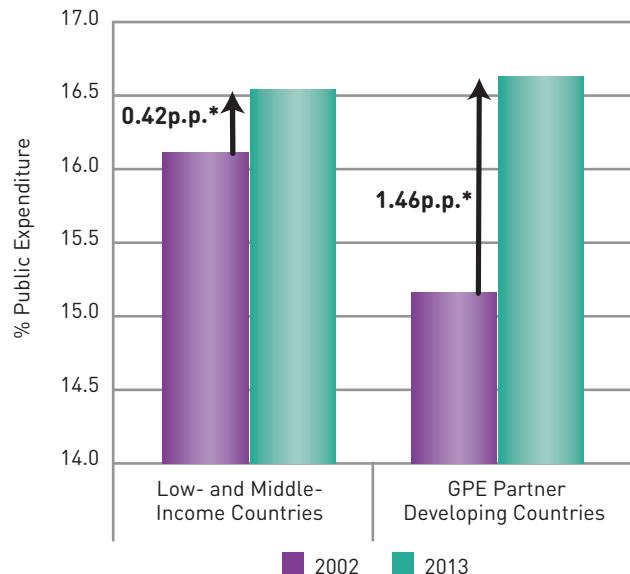
GPE's commitment to improving domestic financing is evident in its country-level approach. Consequently, since its inception in 2002, GPE partner developing countries have also made demonstrable progress toward reaching the education expenditure global benchmarks, i.e., 4 to 6 percent of the GDP and 15 to 20 percent of the total public expenditure.

Between 2002 and 2013, for countries where data is available, the average percentage point increase in public expenditure in GPE countries was higher than in low- and middle-income countries, both as a percentage of total expenditure and as a percentage of GDP (see Chart 1). Domestic expenditure on education as a share of total public expenditure increased globally in low- and middle-income countries, on average, by 0.42 percentage points (from 16.12 to 16.54), while the average increase in GPE partner developing countries was 1.46 percentage points (from 15.16 to 16.62).

Average education expenditure as a percentage of GDP also increased by 0.90 percentage points in GPE partner developing countries compared to 0.43 percentage points globally in low- and middle-income countries.

In recognizing the critical role of domestic resource mobilization, during the second replenishment pledging conference in 2014, GPE's Secretariat included developing country partner pledges in the replenishment campaign. The Global Campaign for Education, a global civil society movement and GPE partner, supported these efforts by providing national and regional civil society coalitions and networks with information, tools, materials and capacity support to advocate ambitious pledges by national governments. This contributed to GPE partner developing countries making unprecedented commitments to increase domestic funding over the replenishment period 2015-2018. Twenty-one developing country governments pledged to increase or maintain education expenditure at or above 20 percent of the total public expenditure, while another five pledged to substantially increase their expenditure from current levels.

CHART 1: AVERAGE PUBLIC EXPENDITURES ON EDUCATION, 2002 AND 2013



Source: Secretariat estimations based on UNESCO Institute for Statistics (database), Montreal (Retrieved in June 2016).

Note: *Change in education expenditure between 2002 and 2013. Data is available for a limited number of countries for both years. For % public expenditure in low- and middle-income countries: n = 32; GPE partner developing countries: n = 16. For % GDP low- and middle-income countries: n = 34; GPE partner developing countries: n = 17. p.p.: percentage points.

BOX 7. A NEW METHODOLOGY FOR TIMELY DOMESTIC EXPENDITURE MONITORING

Starting in 2015, GPE began collecting data on recurrent and capital education expenditure from all public entities, at all levels of education and at all levels of government (excluding government debt services). The data is collected directly from the countries' official budget documents—for example, budget books, budget reports, medium-term expenditure frameworks, financial reports, financial laws, annexes to budget speeches, etc.

This methodology estimates actual public spending on education, as opposed to budget allocation, from all ministries and levels of government that have education activities. The methodology also includes calculations for a proxy coefficient that estimates domestic spending for the latest fiscal year for which there is only parliament-voted budget data available, rather than actual expenditure or executed budget. The data is updated annually as the executed budget data become available.

Equation 1: Actual education expenditure

$$\%Edushare = \frac{\sum_{m=1}^M EduExp(Ministry)_m + \sum_{l=1}^L EduExp(local\ government)_l + SC}{GovExp} * 100$$

where :

$EduExp(Ministry)_m$ = Expenditure on education by a ministry, m (M total) (including ministries not directly in charge of the education sector)

$EduExp(local\ Gvt)_l$ = Expenditure on education by local government, l (L total), (if not captured in central ministry spending)

SC = Employer's contribution to non-salary social benefits (if not charged directly to the education ministry's budget)

$GovExp$ = Total government expenditure in all sectors and at all levels of government (excluding debt service, interest and principal payments)

Equation 2: Proxy education expenditure for the last executed fiscal year

Estimated %EduShare_n =

$$\frac{(Ed\ current\ execution\ rate_{n-1} * Ed\ current\ budget_n) + (Ed\ capital\ execution\ rate_{n-1} * Ed\ capital\ budget_n)}{(Gvt\ current\ execution\ rate_{n-1} * Gvt\ current\ budget_n) + (Gvt\ capital\ execution\ rate_{n-1} * Gvt\ capital\ budget_n)} * 100$$

where:

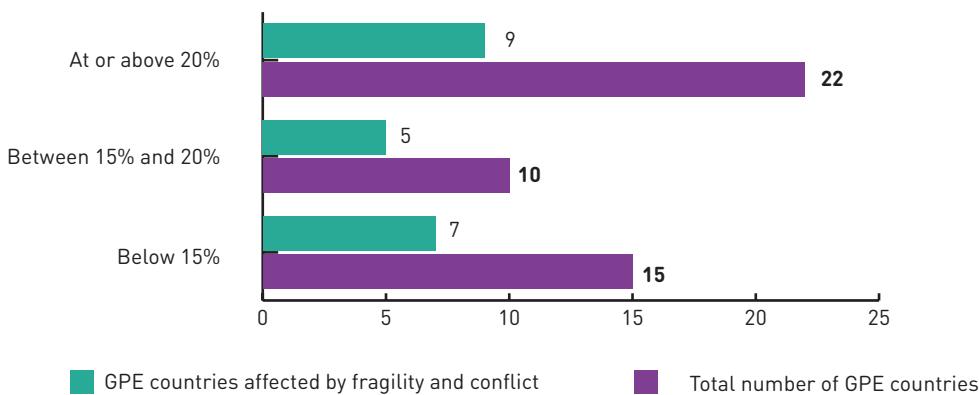
$$Execution\ rate = \frac{Actual\ expenditure}{Budgeted\ expenditure}$$

The Secretariat has developed a new methodology to estimate public expenditure in 2015 (see Box 7) in order to improve the timely availability of data on education expenditure and monitor progress in domestic

spending on education. The GPE methodology complements the UIS and other country-level data by capturing broader sources of domestic spending on education and estimating spending in the last fiscal year.⁷

⁷ UIS indicator "expenditure on education as % of total government expenditure (all sectors)" total public expenditure on education refers only to the ministry of education, excluding other ministries that may also spend a part of their budget on educational activities, whereas, the GPE Indicator 10 captures expenditure on education from all ministries that spend on educational activities. UIS data availability also often has a lag of two to three years.

CHART 2: GPE PARTNER DEVELOPING COUNTRIES BY LEVEL OF EDUCATION EXPENDITURE IN 2015



Source: GPE Secretariat estimates for Results Framework Indicator 10.

Note: For the year 2015, data was available for 47 partner developing countries, out of which 21 were countries affected by fragility and conflict. GPE Secretariat estimates are currently being cross-checked and are subject to changes. A few units in the sample include federal states counted as one GPE partner developing country.

This methodology is used by the Secretariat primarily to monitor progress on indicator 10 of GPE's results framework relating to domestic expenditure. In the future, however, it can also provide a methodology for the local education group to compile and analyze timely available data for sector planning and monitoring purposes. The data can be shared at key events such as joint sector reviews; policy dialogue processes, including ESP preparation, revision and evaluation; budget preparation and negotiation with ministries of finance, etc. The Secretariat also is currently working on developing additional guidance for local education groups on monitoring domestic financing.

The Secretariat has collected education expenditure data for 47 partner developing countries (including 21 countries affected by fragility and conflict) for the baseline year 2015. The estimates from this exercise indicate that a majority of GPE countries spend at least 15 percent of their public expenditure on education. In fact, 22 countries (including 9 countries affected by fragility and conflict) spend more than 20 percent on education out of the total public expenditure (see Chart 2).

4. Conclusion

GPE's focus on domestic financing and increased spending through financially sound sector plans,

financial data availability, financial management and monitoring has helped mobilize domestic resources in partner developing countries. The average share of government expenditure on education grew to 16.62 percent in 2013 in GPE countries compared to



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A student shows their work in math class in a primary school, Timor-Leste.

15.16 percent in 2002, and by 2015, a majority of the GPE partner developing countries were spending more than 15 percent of their budget on education.

All countries, not just GPE partner developing countries, can learn from GPE mechanisms to support domestic finance. The guidelines and toolkits on domestic finance monitoring and planning developed by the Secretariat and partners serve as templates for further development and use by national governments to improve domestic finance management.

Several countries are still far from reaching the internationally-set minimum education expenditure benchmark of 15 percent. Efforts are required to support these countries in mobilizing sustainable domestic resources, including targeted taxation and innovative sources of financing.^{8, 9}

Moreover, challenges remain in using the allocated financial resources efficiently and effectively to meet sector goals. Education sector plans and aligned donor programs need to increase their focus on improving financial management within the sector, especially on

improving the efficiency and effectiveness of finance resources utilization. This is important to ensure equitable resource allocation to reach the most marginalized populations. Internationally comparable education finance indicators need to be further clarified to capture the multiple funding sources and spending entities, along with measures of efficiency and effectiveness of the funding.

GPE 2020 reinforces the global focus on domestic financing and has initiated efforts to improve support to countries in financially sound sector planning, budget allocation, expenditure and management. Future initiatives will further build on current mechanisms, support countries with improved utilization of financial resources, and reduce waste and leakage of funds in the education sector. Learning from ongoing activities and future efforts in finance data collection and analysis, along with increased social accountability, will support partner developing countries to further improve education finance management and create better linkages between education spending and education outcomes.

⁸ Jo Walker, *A Taxing Business: Financing Education for All Through Domestic Resources* (Johannesburg, S.A.: Global Campaign for Education, 2016).

⁹ Amy Bellinger, Arushi Terway and Nicholas Burnett, *Innovative Finance Recommendations: International Commission on Financing Global Education* (Washington, DC: Results for Development Institute, 2016).

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